

Alert | Brexit



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Brexit: EU-Based PIEs with UK Parents No Longer Exempted from Having Their Own Audit Committees

[Read in Dutch/Lees in het Nederlands.](#)

In 2014, the European Commission adopted rules for audit reform in the EU. A statutory audit certifies the financial statements of companies or public entities. Public-interest entities (**PIEs**) are listed companies, credit institutions, insurance undertakings, or other undertakings designated by EU countries to be of public importance.¹

Starting in 2021, Dutch subsidiaries of UK parent companies, that function as issuers of EU-listed securities and thus qualify as a PIE, not only:

- lost the option to avoid publication of their accounts on the basis of Section 403 Book 2 of the Dutch Civil Code following consolidation in the accounts of an EU parent entity, but also

¹ [Auditing of companies' financial statements](#), European Commission website.

- lost the exemption from having an audit committee under [Directive 2014/56/EU \(Audit Directive\)](#), and consequently, as of Jan. 1, 2021, these Dutch PIEs are obligated to install their own audit committee.

The last-mentioned loss will also affect PIEs based in other EU Member States, where a similar exemption exists. According to Article 39 paragraph 3 of the Audit Directive, Member States may decide that a PIE which is a subsidiary undertaking of a parent entity that fulfils the requirements of Article 39 paragraphs 1, 2 and 5 of the Audit Directive and Article 11 paragraph 1 and 2 and Article 16 paragraph 5 of Regulation 809/2004 is not required to have an audit committee. However, this parent entity should be a PIE governed by the law of an EU Member State, and due to Brexit, the UK has not been an EU Member State since Jan. 31, 2020, although EU law continued to apply in the UK until Dec. 31, 2021.

Hence, European subsidiary PIEs of UK parent companies are no longer exempted from this obligation, and such EU-based subsidiary PIEs should therefore install their own audit committee.

[For more on Brexit, click here.](#)

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